

**MINUTES  
of the  
FIRST MEETING OF THE 2014 INTERIM  
of the  
MORTGAGE FINANCE AUTHORITY ACT  
OVERSIGHT COMMITTEE**

**June 6, 2014  
Mortgage Finance Authority Office  
344 Fourth St. SW  
Albuquerque, New Mexico**

The first meeting of the Mortgage Finance Authority (MFA) Act Oversight Committee of the 2014 interim was called to order by Senator Nancy Rodriguez, chair, at 10:07 a.m. on June 6, 2014 at the office of the MFA in Albuquerque, New Mexico.

**Present**

Sen. Nancy Rodriguez, Chair  
Rep. Ernest H. Chavez, Vice Chair  
Rep. Thomas A. Anderson  
Rep. Alonzo Baldonado  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Cisco McSorley

**Absent**

Sen. Lee S. Cotter  
Sen. Stuart Ingle

**Advisory Members**

Rep. Nathan "Nate" Cote  
Rep. James Roger Madalena  
Sen. Richard C. Martinez  
Sen. Bill B. O'Neill  
Sen. Gerald Ortiz y Pino  
Sen. Michael Padilla  
Sen. Sander Rue

Rep. George Dodge, Jr.  
Rep. Sandra D. Jeff

**Staff**

Renée Gregorio, Researcher, Legislative Council Service (LCS)  
Sharon Ball, Senior Researcher, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Copies of all handouts and written testimony are in the meeting file.

## **Friday, June 6**

### **Call to Order**

Senator Rodriguez welcomed members of the committee, staff and guests to the meeting. She requested that members of the committee introduce themselves, after which she introduced LCS staff members. Senator Rodriguez then recognized Jay Czar, executive director, MFA, for a welcome and introductions.

### **Welcome and Introductions of Key Staff and Programs**

Mr. Czar first recognized two guests: Vince Torres of the lieutenant governor's staff and Hector Dorbecker, economist, Legislative Finance Committee. He indicated that both individuals have been regularly attending MFA board of directors meetings and said he hopes that they will be present for MFA Act Oversight Committee meetings during the coming interim.

Mr. Czar introduced the MFA executive team staff, including the following:

- Gina Hickman, deputy director, finance and administration, who, he said, has been with the MFA for five years, is a certified public accountant and brings considerable experience as a chief financial officer. He explained that her job involves coordination and oversight of the MFA's asset and liability mix, debt issuance, financial reporting, cash-flow projections and the investment and disbursement of the MFA's funds;
- Joseph Montoya, deputy director of programs, who will work closely with the oversight committee;
- Monica Abeita, senior policy and program advisor, a native New Mexican who is in her second year with the MFA and who has a broad background in public housing, particularly in the area of community planning;
- Marjorie Martin, staff attorney;
- Leann Kemp, communications manager;
- Maggie Raznick, director, human resources; and
- Sandra Mares, executive assistant, who, Mr. Czar noted, serves as a point of contact for committee members and staff.

Providing historical background, Mr. Czar explained that the legislature created the MFA in 1975 as a government instrumentality, which, he said, means that the MFA does not rely on appropriations from the state for either operations or programs. He explained that the MFA does have the power to raise funds from private investors and to make those funds available to finance the acquisition, construction, rehabilitation and improvement of residential housing for low- to moderate-income families and individuals in the state, which supports the MFA's vision that all New Mexicans will have quality affordable housing opportunities. He said that the MFA's mission is to provide innovative products and services in collaboration with strategic partners to finance the purchase, construction and preservation of quality affordable housing to strengthen the social and economic development of the state.

Mr. Czar also introduced the following additional MFA staff members who will work

with the committee through the 2014 interim:

- Jacqueline Boudreaux, director, asset management, who oversees the MFA's affordable housing portfolio;
- Felipe Rael, a Taos native, who is director of housing development;
- Izzy Hernandez, director, community development, who oversees relationships with MFA partners, weatherization, homeless programs and colonias infrastructure. Mr. Czar noted that Mr. Hernandez is a native of Dexter and is also a full colonel in the New Mexico National Guard;
- Erik Nore, director, home ownership department;
- Doug Flint, manager, information services;
- Kathy Keeler, finance manager, who is a one-person department;
- Yvonne Segovia, controller; and
- Theresa Garcia, director, special projects, servicing expansion.

Mr. Czar directed committee members' attention to the meeting materials, pointing out an invitation to the 2014 Housing Summit, scheduled for August 20-22 at the Albuquerque Convention Center. He explained that this biennial meeting provides a chance for Realtors, lenders, developers, managers, financiers, maintenance experts, affordable housing experts and other interested persons to have unlimited access to the people who develop, construct, sell and manage single-family and multifamily housing in New Mexico. He invited committee members to attend as guests of the MFA. Committee members expressed an interest in attending the conference and voiced a few concerns, including scheduling conflicts and the need for New Mexico Legislative Council approval to attend.

Mr. Czar directed members' attention to the *MFA 2013 Annual Report: Building Stability*, which was included in the meeting materials. Summarizing the MFA's work, Mr. Czar noted that in 2013, the MFA provided \$222 million in low-interest financing and grants for affordable housing and related services throughout New Mexico, including the following:

- \$133 million in loans and pre-purchase counseling to 1,075 homebuyers;
- \$6 million in down payment assistance loans and grants to 1,111 homeowners;
- \$27 million in project-based Section 8 rental-assistance payments for 5,297 apartments occupied by low-income households throughout New Mexico;
- \$43 million in financing to construct or rehabilitate 744 rental homes, including 191 units already in the pipeline;
- more than \$2 million in loans to construct or acquire, rehabilitate and resell 119 affordable for-sale homes, including 40 units already in the pipeline;
- more than \$9 million to rehabilitate homes and improve energy efficiency for 861 low-income homeowners;
- nearly \$1 million in shelter, transitional housing and operating costs for 8,249 individuals experiencing homelessness; and
- \$860,000 in homelessness prevention measures for 394 households at risk of becoming homeless.

Mr. Czar also noted that, last December, the governor appointed Steven J. Smith, president, R.O.G. Enterprises, to serve on the MFA board of directors. He said that the board now has its full complement of members, including the state treasurer, the attorney general and the lieutenant governor and four members appointed on a rotating basis by the governor with the advice and consent of the senate. He told the committee that the board meets quarterly and that all members take an active interest in the work of the MFA.

Noting inclusion of the *2013-2014 NM Housing Services Directory* in members' meeting materials, Mr. Czar said that this directory is the most comprehensive listing of housing services in the state and is a resource that he and his staff use nearly every day.

### **MFA 2014 Reference Guide Overview**

Senator Rodriguez recognized Mr. Montoya to go over the *2014 NMFA Legislative Oversight Committee Reference Manual*. Directing committee members' attention to the information behind Tab 2, Mr. Montoya went over the legislature's action on the committee's 2014 endorsed legislation. He noted that the legislature passed, and the governor signed into law, the following measures:

- Senate Bill 71, which amends the Municipal Housing Law to clarify the authority, responsibility and liability of local housing authorities and to allow flexibility on the number of commissioners required to be appointed to each board;
- appropriations in the General Appropriation Act of 2014 of \$200,000 to fund the MFA's oversight of the regional housing authorities; \$500,000 to the New Mexico Housing Trust Fund, which, Mr. Montoya said, will leverage approximately \$70 million to build more than 500 quality, affordable homes for low-income New Mexicans; and \$250,000 to fund the MFA's Affordable Housing Act oversight duties; and
- appropriations in the 2014 Work New Mexico Act for projects in Gallup and Santa Fe.

Mr. Montoya pointed out relevant statutes and rules behind Tabs 3 and 4, respectively, and Mr. Czar noted behind Tab 6 a condensed version of the MFA's mandate, vision, mission and core values. Among the MFA's additional core values are the following:

- hiring well-qualified employees representing the diversity of the state, paying them competitively, treating them fairly and providing them with opportunities for advancement;
- providing prompt, courteous and quality service;
- fostering a professional environment that supports a high level of integrity, transparency, collaboration and commitment to its mission;
- allocating resources to serve those with the greatest need while promoting partnerships to maximize housing opportunities;
- practicing cost-effective operations and prudent fiscal management; and
- promoting sustainable growth, innovation and environmentally conscious practices.

Mr. Czar thanked committee members for their service to the state and particularly for being so helpful in getting the word out about the effectiveness and importance of MFA programs.

He said that the MFA is subject to considerable oversight, not only from the MFA Act Oversight Committee, but also by a seven-member board of directors, four of whom are appointed by the governor. Three are stipulated in statute: the attorney general, the lieutenant governor and the state treasurer. He said the board meets the third Wednesday of each month in the MFA office at 9:30 a.m., and he invited all members to attend meetings at their convenience.

Directing members' attention to Tab 7, "Top Ten MFA Myths...Debunked!", Mr. Czar acknowledged that he has discussed most of these, such as the myth that the MFA is a state agency; it is an instrumentality of the state. He also noted two other popular myths. The first is the that MFA lends money. He said that the MFA itself does not lend money; it works with a number of partners to provide financing through established lenders. A second myth is that the MFA develops and builds homes. He said that the MFA helps find financing for developers to build homes and said that it is kind of like a bank providing financing in the form of loans and sometimes tax credits and a few grants. He went on to explain that the MFA has very little grant funding available. The MFA borrows most of its funding and therefore must, in turn, make that funding available as loans, not grants. The MFA also "recycles" some of its resources. For example, when certain loans are repaid to the MFA, those dollars can be recycled to help more people.

Mr. Czar said that he would like to add another myth to be debunked: that the MFA does not work with small communities. He said that the MFA will work to debunk that myth because it does work with small communities under 25,000 people.

Ms. Abeita pointed out the MFA organizational chart, which includes two divisions: one headed by Mr. Montoya that deals with asset, community and housing development programs; and the second headed by Ms. Hickman that deals with accounting and finance. She added that the committee would be meeting several of these managers and directors as the meeting progresses.

Directing members' attention to the document behind Tab 9, Mr. Czar pointed out the inclusion of the MFA's brochure of programs and noted that the programs are constantly evolving because of changes in policies and priorities at the federal level.

Ms. Abeita directed members to the information behind Tab 10, which depicts low-income housing tax credit awards by congressional district and county from 2000 through 2014. The awards for Congressional District 1, which is made up of approximately 32 percent of the state population, received 26 percent, or \$13.4 million; Congressional District 2, with approximately 33 percent of the state's population, received 34 percent, or \$18 million; and Congressional District 3, with approximately 33 percent of the state's population, received 40 percent, or \$21 million. Pointing out the matrix behind Tab 11, Ms. Abeita said that the federal

Department of Housing and Urban Development has reduced its current allocation to 54 percent below the allocation in 2010. She noted, however, that the federal Department of Energy's allocation has increased slightly over the amount allocated in 2013. In response to committee questions and discussion, Ms. Abeita directed members to the pie chart behind Tab 12. She discussed MFA estimated funding sources of \$470.5 million for 2013, including \$98.5 million from federal housing programs, \$336 million from MFA bond issues and \$35.9 million from state appropriations, tax credits and other sources. In response to committee discussion and questions about the level of continued funding for the MFA, Ms. Abeita noted that the chart depicts resources rather than revenues, and she pointed out that approximately 70 percent of its funding sources comes from bond issues. Members discussed the issue and expressed concern that the MFA should continue to maximize all sources of its resources, noting that the state, in general, has an excess of taxing authority.

After the staff updated the MFA's progress on implementing its strategic plan, which is in its final year of a three-year cycle, committee members engaged in an extensive discussion about the fact that the number of first-time homebuyers is declining. The members' discussion centered on the fact that, since the beginning of the recession in 2008, young people seem to be left out of the American dream of homeownership, and they indicated that this should be an issue that the committee considers during the 2014 interim; i.e., how to get young "millennials" to "get on board the home equity gravy train"; that for the past century, young people could count on the fact that the value of the homes they bought would automatically increase with time; and that the concept of an "underwater" mortgage was unimaginable 20 years ago.

Directing committee members' attention to the information behind Tab 14, Mr. Czar explained that the MFA staff had updated the already extensive listing of housing and finance acronyms and abbreviations. Some committee members expressed their sincere gratitude for the helpful inclusion in the 2014 the MFA reference manual.

Members engaged in a brief discussion about an article in the June 6, 2014 *Albuquerque Journal* featuring "Albuquerque Heading Home", a City of Albuquerque program providing stable, long-term housing for the most medically vulnerable of the city's chronically homeless. Committee members pointed out that, according to the article, in the three years since the program began, it has provided housing for about 359 people, and the city estimates the three-year savings to be about \$3.2 million over and above the cost of the program's operation, including savings from fewer hospital emergency room visits, inpatient medical and mental health services, outpatient medical and behavioral health services, ambulance and fire department response services, jail bookings and homeless shelter expenses.

#### **2014 Interim Work Plan and Meeting Schedule Development**

Mr. Czar and Ms. Gregorio went over the proposed work plan and meeting dates. After some discussion relating to possible conflicts with MFA staff and board obligations, committee members agreed without objection to meeting dates of July 3, August 1, October 8 and November 13, requesting a change from the October 20 meeting date to October 8. Also without objection, committee members approved adoption of the work plan's listing of its statutory and

regulatory duties.

Members engaged in an extensive discussion about consideration of additional issues to be included in the work plan and agreed by consensus to the following issues of legislative concern during the 2014 interim:

1. regional housing policy and budget trends;
2. changes to existing and proposed rules promulgated by the MFA;
3. the MFA funding sources and programs overview, including the MFA's single-family mortgage products and the NM EnergySmart Program;
4. supportive housing;
5. federal housing policy and budget trends;
6. review of the MFA budget, current strategic plan and new 2015-2017 strategic plan;
7. New Mexico Housing Trust Fund report and funding source overview;
8. foreclosure prevention efforts, including a report from the Foreclosure Process Task Force;
9. report on bonds issued, financing strategies and market update; and
10. review of 2014 legislation and proposed legislation for the 2015 session.

Senator Rodriguez thanked committee members and the MFA and LCS staff members for their hard work in putting together the interim work plan. Without objection, the meeting adjourned at 12:59 p.m.